The Notes to the NAIC Input - Page MQ10, were not completed. There were no changes to The Notes to Financial Statements.

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HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2003
OF THE CONDITION AND AFFAIRS OF THE

THE WELLNESS PLAN

NAIC Group Code 1150 (Current Period) 1150 (Prior Period) NAIC Company Code 95471 Employer's ID Number 38-2008890

Organized under the Laws of Michigan, State of Domicile or Port of Entry Michigan

Country of Domicile United States of America

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Dental Service Corporation [ ]
Vision Service Corporation [ ] Other [ ] Health Maintenance Organization [X]
Hospital, Medical & Dental Service or Indemnity [ ] Is HMO, Federally Qualified? Yes [X] No [ ]

Incorporated 11/08/1972 Commenced Business 02/28/1973

Statutory Home Office 7700 SECOND AVENUE (Street and Number), DETROIT, MI 48202 (City or Town, State and Zip Code)

Main Administrative Office 7700 SECOND AVENUE (Street and Number)
DETROIT, MI 48202 (City or Town, State and Zip Code) 313-202-8500 (Area Code) (Telephone Number)

Mail Address 7700 SECOND AVENUE (Street and Number or P.O. Box), DETROIT, MI 48202 (City or Town, State and Zip Code)

Primary Location of Books and Records 7700 SECOND AVENUE (Street and Number)
DETROIT, MI 48202 (City or Town, State and Zip Code) 313-202-8500-27828 (Area Code) (Telephone Number)

Internet Website Address www.wellplan.com

Statutory Statement Contact Rao Kakarala Mr. (Name) 313-202-8500-27828 (Area Code) (Telephone Number) (Extension)
rkakarala@wellplan.com (E-mail Address) 313-202-6870 (FAX Number)

Policyowner Relations Contact 7700 SECOND AVENUE (Street and Number)
DETROIT, MI 48202 (City or Town, State and Zip Code) 313-202-8500 (Area Code) (Telephone Number) (Extension)

OFFICERS

President Richard Eugene Standridge M.D. Secretary Donn Robert Merrill
Treasurer

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Kathleen Callahan	Bernard Francis Parker	Carol Ann Williams
Charles Francis Whitten, MD		

State of Michigan
County of Wayne } ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Richard Eugene Standridge, M.D. (Deputy Rehabilitator) President	Donn Robert Merrill (Deputy Rehabilitator) Secretary	Treasurer

Subscribed and sworn to before me this
13 day of November, 2003

Polly J. Jones
Notary Public Wayne County, MI
August 17, 2007

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

A. Accounting Policies

The financial statements of The Wellness Plan (TWP) are presented on the basis of accounting practices permitted by the Michigan Office of Financial and Insurance Services (OFIS).

As of January 1, 2003, OFIS has adopted the NAIC's *Accounting Practices and Procedures* as a component of prescribed and permitted practices. OFIS has certain permitted practices that can be used as a phase-in for the accounting practices.

1. Three-year phase-in period for the limitation of admitted electronic data processing equipment and software
2. Three-year phase-in period for the amount of nonadmitted furniture and equipment

TWP, with the previous permission of OFIS, records their Malpractice Trust Self Insurance Fund and the Stop Loss Self Insurance Trust on Schedule BA. These two items are not specifically addressed in statutory accounting. In addition, one of the funds has a negative balance, which OFIS has allowed to remain as an asset. If these funds were not allowed as admitted assets, the surplus would be decreased by $927,014 as of September 30, 2003 and by $907,695 as of December 31, 2002.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Michigan is shown below:

		9/30/03	12/31/02
(1)	Net income – Mich. OFIS basis	$ 5,178,738	$(7,936,860)
(2)	State prescribed practice	-0-	-0-
(3)	State prescribed practice	-0-	-0-
(4)	Net income – NAIC SAP	5,178,738	(7,936,860)
(5)	Statutory surplus – Mich. OFIS basis	5,069,062	3,227,164
(6)	State prescribed practices (surplus):		
	EDP equipment	916,493	2,841,244
	Furniture & equipment	1,894,881	2,114,569
(7)	State permitted practices (surplus):		
	Schedule BA assets	-0-	-0-
(8)	Statutory surplus – NAIC SAP	$2,257,688	$(1,728,649)

B. Not applicable
C. Not applicable

2. Accounting Changes and Correction of Errors

As of January 1, 2003, OFIS has adopted the NAIC's Accounting Practices and Procedures as a component of prescribed and permitted practices. OFIS has certain permitted practices that can be used as a phase-in for the accounting procedures.

• The prepaid portion of the Retired Employees Health Insurance Fund is now being reported as a nonadmitted asset, based on the following amounts:

	9/30/03	12/31/02
Employee Benefit Trust Fund – Investments	1,736,030	1,654,873
Employee Benefit Trust Fund – Cash	70,136	33,705
Subtotal	1,806,166	1,688,578
Accrued Pension Benefit Liability	776,381	658,794
Prepaid employee benefits	1,029,785	1,029,784

NOTES TO FINANCIAL STATEMENTS

Accounting Changes and Correction of Errors (Continued)

• The reported amount for computer hardware is limited to 25% of the Company's capital surplus as reported at June 30, 2003, as allowed under the State of Michigan prescribed accounting practices.

	9/30/03	12/31/02
Capital and surplus, beginning of period	4,165,875	12,914,743
Percentage allowed for 2003	25%	25%
Allowable limit of computer equipment	1,041,469	3,228,686
Amount of EDP Equipment and software	2,674,330	3,274,504
Admitted amount (as determined above)	1,041,469	3,228,686
Nonadmitted amount	1,632,861	45,818

• Office Furniture and Equipment is stated at 85% of the net book value as allowed under the State of Michigan's prescribed accounting practices.

	9/30/03	12/31/02
Furniture and Equipment	3,584,185	3,899,728
Less: Medical Delivery assets	1,354,913 *	1,412,000
Office Equipment	2,229,272	2,487,728
Admitted amount at 85% of total	1,894,881	2,114,569
Nonadmitted amount	334,391	373,159

* Medical Delivery assets of $1,354,913 consisting of inventory of medical supplies, drugs and staff clinics equipment were deducted from the total office furniture and equipment when determining nonadmitted assets.

• Summary of accounting changes:

Prepaid employee benefits	$1,029,784
EDP Equipment and Software	45,818
Office Furniture and Equipment	373,159
Cumulative effect of changes in accounting principles	$1,448,761

Rent expense charged to the three staff medical centers totalled $1,892,064 for the nine months ended September 30, 2003. This amount is included in the Statement of Revenue and Expenses as a medical care delivery expense. The offsetting entry was recorded to investment income. The amount of rent was determined by our appraiser based on local market conditions.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments (Mortgage Loans, Debt Restructuring, Reverse Mortgages, Loan-Backed Securities and Repurchase Agreements)

A. Not applicable
B. Not applicable
C. Not applicable
D. Not applicable
E. Not applicable
F. Not applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

Not applicable

NOTES TO FINANCIAL STATEMENTS

7. Investment Income

Not applicable

8. Derivative Instruments

Not applicable

9. Income Taxes

Not applicable

10. Information Concerning Parent, Subsidiaries and Affiliates

Not applicable

11. Debt

In February 2003, the Corporation entered into a loan agreement with Cananwill, Inc. in the amount of $1,323,950. The last installment is due in October 2003. Interest compounds at 4.49% per year and is included in the equal monthly installment payments of $149,871.56.

In April 2003, the Corporation entered into a second loan agreement with Cananwill, Inc. in the amount of $395,644. The last installment is due in January 2004. Interest compounds at 4.24% per year and is included in the equal monthly installment payments of $44,740.72.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

Not applicable

13. Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations

Not applicable

14. Contingencies

Not applicable

15. Leases

Not applicable

16. Information about Financial Instruments With Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Not applicable

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

Not applicable

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Not applicable

NOTES TO FINANCIAL STATEMENTS

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

    Not applicable

20. September 11 Events

    Not applicable

21. Other Items

    Not applicable

22. Events Subsequent

    Not applicable

23. Reinsurance

    Not applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

    Not applicable

25. Change in Incurred Claims and Claim Adjustment Expenses

    Reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years decreased $7,060,572 from $32,343,492 as of December 31, 2002 to $25,283,420 as of September 30, 2003 as a result of reestimation of unpaid claims and claim adjustment expenses. This decrease is generally the result of an ongoing analysis of recent loss development trends.

26. Organization and Operation

    Not applicable

27. Minimum Net Worth

    Not applicable

28. Health Care Receivables

    Not applicable

29. Participating Policies

    Not applicable

30. Premium Deficiency Reserves

    At December 31, 2002, the Company recorded a loss of $2,350,000 in commercial premium deficiency reserves based on expected losses occurring during 2003. Resulting from the net reduction of commercial membership as well as the reduction in incurred claims expenses, $1,038,857 has been recognized as the reduction of medical expenses during the nine months ended September 30, 2003.

31. Anticipated Salvage and Subrogation

    Not applicable